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DOME PETROLEUM LIMITED 1967 ANNUAL REPORT  
and First Quarter 1968

## DIRECTORS

NORMAN J. ALEXANDER, *Winnipeg, Manitoba*  
Managing Partner; Richardson Securities of Canada

HENRY C. BRUNIE, *New York, N.Y.*  
Vice-Chairman of the Board; The Bank of New York

JOHN P. GALLAGHER, *Calgary, Alberta*  
President of the Company

JOHN L. LOEB, *New York, N.Y.*  
Partner; Loeb, Rhoades & Co.

BRYCE R. MACKENZIE, *Toronto, Ontario*  
Senior Partner; Fasken & Calvin

CHARLES E. MAIN, *New York, N.Y.*  
President; The Clark Estates, Inc.

A. BRUCE MATTHEWS, *Toronto, Ontario*  
Chairman of the Board;  
The Excelsior Life Insurance Company

CLIFFORD W. MICHEL, *New York, N.Y.*  
Chairman of the Board; Dome Mines Limited;  
Partner; Loeb, Rhoades & Co.

WILLIAM F. MORTON, *Winchester, Mass.*  
Investment Manager

JAMES B. REDPATH, *Toronto, Ontario*  
President; Dome Mines Limited

## ANNUAL MEETING

The Annual General Meeting of the Shareholders of the Company will be held at the Royal York Hotel, Toronto, Ontario, on April 29, 1968, at 12:00 o'clock noon. A formal notice of meeting and proxy form are enclosed with this report.

## OFFICERS

CLIFFORD W. MICHEL, *Chairman of the Board*

JOHN P. GALLAGHER, *President*

CHARLES S. DUNKLEY, *Vice-President*

JAMES B. REDPATH, *Vice-President*

WILLIAM E. RICHARDS, *Vice-President and Secretary*

DONALD M. WOLCOTT, *Vice-President*

HENRY T. ASTLE, *Treasurer*

FRASER M. FELL, *Assistant Secretary*

### Head Office

706 - 7TH AVENUE S.W., *Calgary 2, Alberta*

### Registrars and Transfer Agents

CANADA PERMANENT TRUST COMPANY  
*Toronto, Ontario; Montreal, Quebec; Calgary, Alberta*  
THE BANK OF NEW YORK  
*New York, N.Y.*

### General Counsel

FASKEN & CALVIN  
*Toronto Dominion Bank Tower, Toronto, Ontario*

### Auditors

CLARKSON, GORDON & CO.  
*Calgary, Alberta*

### Stock Listed

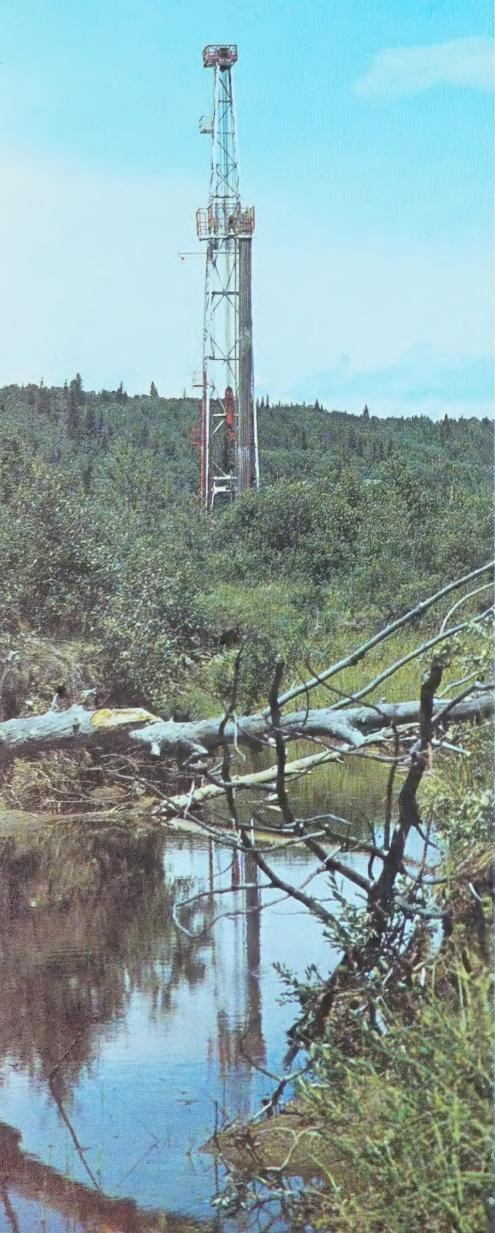
TORONTO STOCK EXCHANGE  
MONTREAL STOCK EXCHANGE  
AMERICAN STOCK EXCHANGE

## CONTENTS

COMPARATIVE HIGHLIGHTS	1
REPORT OF THE DIRECTORS	2
REVIEW OF 1967 OPERATIONS	4
CONSOLIDATED FINANCIAL STATEMENTS	12
TEN YEAR FINANCIAL REVIEW	18
TEN YEAR OPERATING REVIEW	19
OPERATIONS MAP—INSIDE BACK COVER	

*Cover picture: Winter drilling in the frozen muskeg at North Zama. In the foreground is Dome's North Zama 9-13 well and in the background is its North Zama 4-30 well, drilling a mile and a half farther north. Both were completed as oil producers.*

*Opposite: Summer drilling on Dome acreage in the Willesden Green field in the Alberta foothills.*



# DOME PETROLEUM LIMITED 1967 ANNUAL REPORT

## COMPARATIVE HIGHLIGHTS

FINANCIAL	1967	1966	1965
Gross Income (after royalties) . . . . .	\$21,769,254	\$17,848,409	\$15,243,295
Cash Flow (after cost of product, operating, administrative and interest expenses) . . . . .	\$12,160,626	\$ 9,718,340	\$ 8,983,123
Cash Flow per share . . . . .	\$3.66	\$2.94	\$2.72
Net Income (after all charges) . . . . .	\$ 8,360,922	\$ 6,423,825	\$ 5,773,524
Net Income per share . . . . .	\$2.51	\$1.94	\$1.75
Shares Outstanding . . . . .	3,324,677	3,307,700	3,299,700
Working Capital Deficit . . . . .	\$ 5,144,754	\$ 2,331,487	\$ 1,800,135
Long Term Debt . . . . .	\$29,270,119	\$23,978,287	\$21,264,027

## OPERATING

OPERATING	1967	1966	1965
Oil and Natural Gas Liquids Production (net barrels) . . . . .	5,757,849	4,972,284	4,445,043
Gas Production (billion cubic feet) . . . . .	43.7	37.2	36.8
Proved Oil & Condensate Reserves (net barrels) . . . . .	61,890,000*	59,267,000*	53,830,000
Estimated Proved Gas Reserves (billion cubic feet) . . . . .	1,011*	919*	829
Wells Drilled . . . . .	102	104	100
Land — Gross Acres . . . . .	13,268,294	7,504,166	6,064,597
Land — Net Acres . . . . .	11,003,613	5,212,851	3,829,128

Dome-Provo figures combined for all years.

\* Excludes all Zama reserves

# REPORT OF THE DIRECTORS



## To The Shareholders

The most important developments in your Company's 1967 operations were its acquisition of the outstanding shares of Provo Gas Producers Limited and its successful drilling program in the North Zama area.

The acquisition of Provo gave your Company greater diversification through participation in major gas processing and propane marketing operations, substantially increased its oil and gas reserves and consolidated the Dome-Provo interests in many important producing areas. These operations are reviewed in more detail in the following report in order that shareholders will be better informed as to the combined assets of both companies.

The Company's principal 1967 drilling operations were located in the North Zama field of Alberta. As of March, 1968, Dome had completed 26 oil wells and 8 dual-zone gas wells in this field for an 85% discovery ratio. Most of the data on the Zama wells are still confidential. Production tests are currently underway which are designed to determine the areal extent of the oil reservoirs and whether they are interconnected. Indications to date are favourable that the reservoirs are of considerably greater areal extent than might have been anticipated. Until these tests have been completed any estimate of the proved reserves could be misleading. In addition, premature release of information could prejudice Dome's current advantage in the competitive bidding for adjoining unleased Crown lands. For these reasons, all reserve figures quoted exclude Zama oil and gas reserves.

The financial and operational results throughout this report are presented on a combined Dome-Provo basis for 1968 and all previous years.

- **Gross Income** in 1967 increased 22% to \$21,769,254, cash flow increased 25% to \$12,160,626 (\$3.66 per share) and net income increased 30% to \$8,360,922 (\$2.51 per share).  
Gross income for the first quarter of 1968 increased 22% to an estimated \$6,560,000, cash flow increased 24% to \$3,860,000 (\$1.16 per share) and net income increased 25% to \$2,700,000 (81¢ per share).
- **Production** of oil, natural gas liquids and oil equivalent of gas for 1967 increased 16% to 21,238 barrels per day.  
For the first quarter of 1968, combined production increased 16% to 24,300 barrels per day.
- **Proved reserves** (after 1967 production and excluding Zama) increased 4% to 61,890,000 net barrels of oil and 10% to 1,011 billion cubic feet of gas.  
During the first quarter of 1968, new oil and gas reserves have been added at Enchant, Brownfield, Zama and Willesden Green.
- **Drilling activity** for 1967 totalled 102 wells, including 47 oil wells and 23 gas wells.  
In the first quarter of 1968, 10 oil wells and 8 gas wells were completed.
- **Land holdings** at year-end increased 110% to 11,003,613 net acres.  
Land holdings at March, 1968, totalled 11,154,648 net acres.

Your Company currently holds operating interests in 12 gas processing plants in Western Canada. These interests vary from minor holdings to 100% interests in plants at Steelman, Edmonton, and Vulcan, a 78% interest in the Provost plant and a 22% interest in the Lone Pine plant. Dome's total investment in these facilities is \$24,500,000.

The Company holds franchises for distributing propane and natural gas in all of the large mining and smelting centres in northern Manitoba. During 1967, Dome handled over 142,000,000 Canadian gallons of propane and butane in its wholesale and retail marketing operations. The Com-

pany's underground natural gas liquids storage facilities, with a capacity of over 60,000,000 gallons, is an integral part of these operations.

An important phase of 1968 operations will be the exploration and drilling program by Panarctic Oils Ltd. involving 44,000,000 acres in the Canadian Arctic Islands where Dome owns a 100% interest in over 5 million net acres. Dome, which owns a 4.06% interest in Panarctic, was appointed interim operator of the 4-year, \$20,000,000 program which is being financed by 20 oil and mining companies and the Canadian Government. Seismic operations commenced in March, 1968, and a 15-well drilling program is scheduled to begin early next year.

In 1968, the Company will participate financially and as operator in the construction of a major gas absorption and fractionation project. This facility will initially remove approximately 10,000 barrels per day of propane, butane and condensate from the 700 million cubic foot per day gas stream owned by Alberta and Southern Gas Co. Ltd. The plant is scheduled to be completed in late 1969.

The Company's budgeted income and production figures for 1968 indicate continued improvement. Dome's 1968 drilling and exploratory program includes the drilling of over 70 exploratory wells.

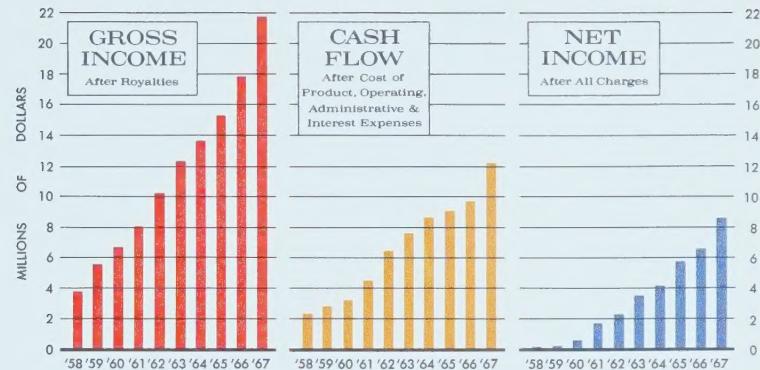
Your Directors are pleased to announce the election to the Board of Mr. N. J. Alexander. Mr. Alexander is managing partner of Richardson Securities of Canada and previously served as a Provo director.

Your Directors acknowledge the major contributions that all employees have made to the growth of the Company. They also appreciate the keen interest and support of all shareholders during the past year.

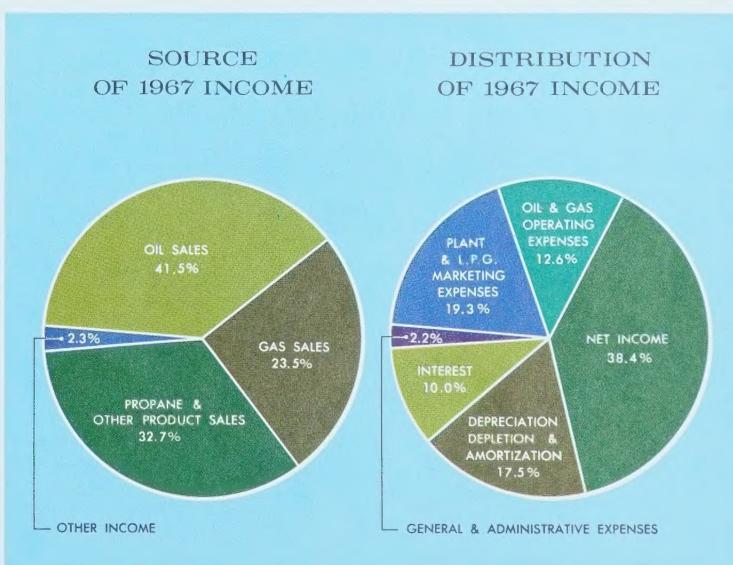
C. W. MICHEL  
*Chairman of the Board*

J. P. GALLAGHER  
*President*

April 2, 1968.



Dome-Provo figures combined for all years.



# REVIEW OF 1967 OPERATIONS



Seventeen of Dome's 1967 oil producers were located in the Willesden Green field in west central Alberta. One of these, Dome Willesden Green 4-33, is shown nearing completion last summer.

## PRODUCTION

Net oil and condensate production increased 15.3% in 1967 to 3,693,563 barrels (10,119 barrels per day) from 3,201,732 barrels (8,772 barrels per day). The principal increases were from new production at North Zama and higher recovery rates from the successful waterflood programs instituted over the past few years in the Boundary Lake field and in the Company's Saskatchewan producing properties. The Boundary Lake field, in which Dome has 40 wholly-owned oil wells, accounted for approximately 26% of the Company's 1967 oil production.

Propane, butane and natural gasoline production for 1967 increased 16.6% to 2,064,286 barrels (5,656 barrels per day) from 1,770,552 barrels (4,851 barrels per day).

Gas production increased 17.5% to 43.7 billion cubic feet (119.7 million cubic feet per day) from 37.2 billion cubic feet (101.9 million cubic feet per day).

Sulphur production increased 71.7% to 6,353 long tons (17.4 long tons per day).

The Company's producing properties at year-end include the equivalent of 359 net producing oil wells and 131 net producing gas wells plus royalty interests in 87 producing oil or gas wells.

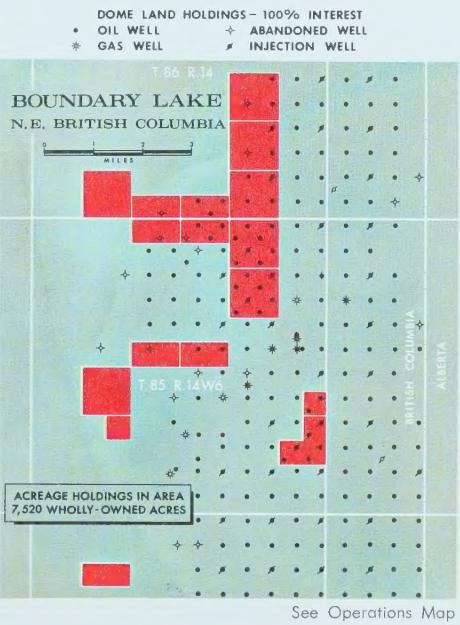
## RESERVES

Net proved, recoverable oil and condensate reserves (excluding all Zama reserves) as at December 31, 1967, were estimated to be 61,890,000 barrels after deducting all royalties, partners' interests and 1967 production. This represents a 4% increase over the combined Dome-Provo reserves of 59,267,000 barrels at the 1966 year-end.

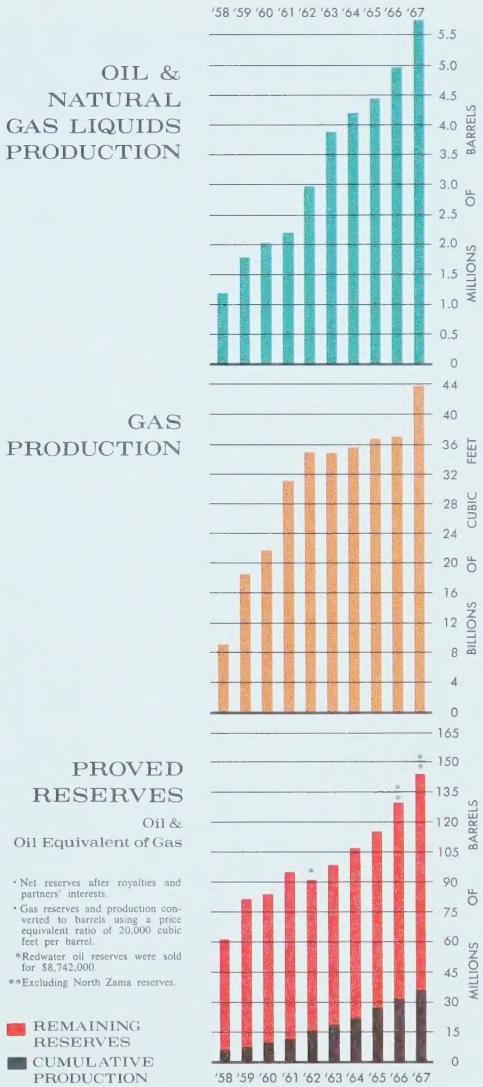
Proved recoverable natural gas reserves (also excluding Zama) increased 10% to 1,011 billion cubic feet from 919 billion cubic feet in 1966.

Sulphur reserves at year-end totalled 145,000 long tons.

These figures exclude all probable reserves, the heavy gravity oil reserves at Hughenden (where a steam flood project is in operation) and the gas reserves being processed by the Steelman and Edmonton plants. The reserve estimates were prepared by the independent consulting firm of James A. Lewis Engineering Co. Ltd.



Dome-Provo figures combined for all years.



'58 '59 '60 '61 '62 '63 '64 '65 '66 '67

## EXPLORATION AND DEVELOPMENT

The 1967 drilling program totalled 102 wells and resulted in 47 oil wells (32.1 net), 23 gas wells (18.5 net) and 32 dry holes (17.9 net). The successful wells included 34 exploratory wells, 13 step-out wells and 23 development wells. The dry holes included 8 wells that were drilled under farm-out at no cost to the Company.

The 1967 drilling was centred in Alberta where Dome completed 78 wells, including 40 oil wells and 23 gas wells.

In the North Zama area, 1967 and early 1968 drilling increased the Company's ownership in this field to 26 oil wells (18.2 net) and 8 gas wells (4.7 net). During this period, 3,688 net lease acres were acquired in this area plus the right to drill on 79,520 adjoining reservation acres to earn 22,176 net reservation acres of oil and gas rights and 14,400 net reservation acres of gas rights. A 22-well exploratory drilling program is currently underway on Dome's Zama properties. A development contract has been made with Alberta and Southern Gas Co. Ltd. for the sale of gas from the North Zama area by the fall of 1971. The commitment to take this production is contingent upon the development of sufficient reserves to justify the extension of the pipeline to this area.

The Company continued its step-out drilling program in the Willesden Green area during 1967 and in the first quarter of 1968 by completing 17 new oil wells to increase its holdings in this area to 47 oil producers (45 net).

Eight successful exploratory gas wells and one exploratory oil well were drilled in the

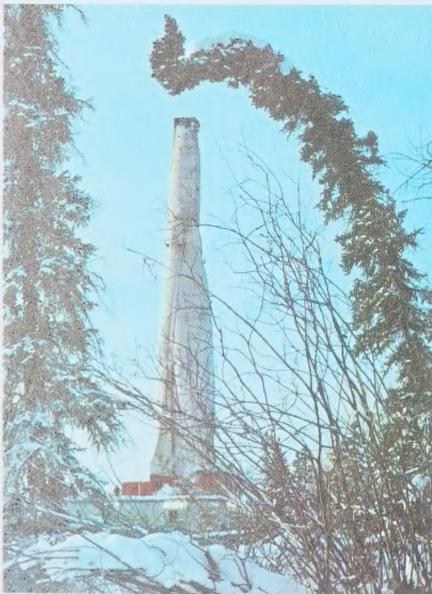
general Provost - Brownfield area of eastern Alberta this year. Through its recent land acquisition program, the Company has added approximately 300,000 net acres to its holdings in this area. In addition, 6 gas wells and 2 oil wells were drilled in the Provost Unit where Dome is the operator and owns a 78% interest. The map of this area on page 8 encompasses Dome leases with recoverable gas reserves estimated at over 500 billion cubic feet.

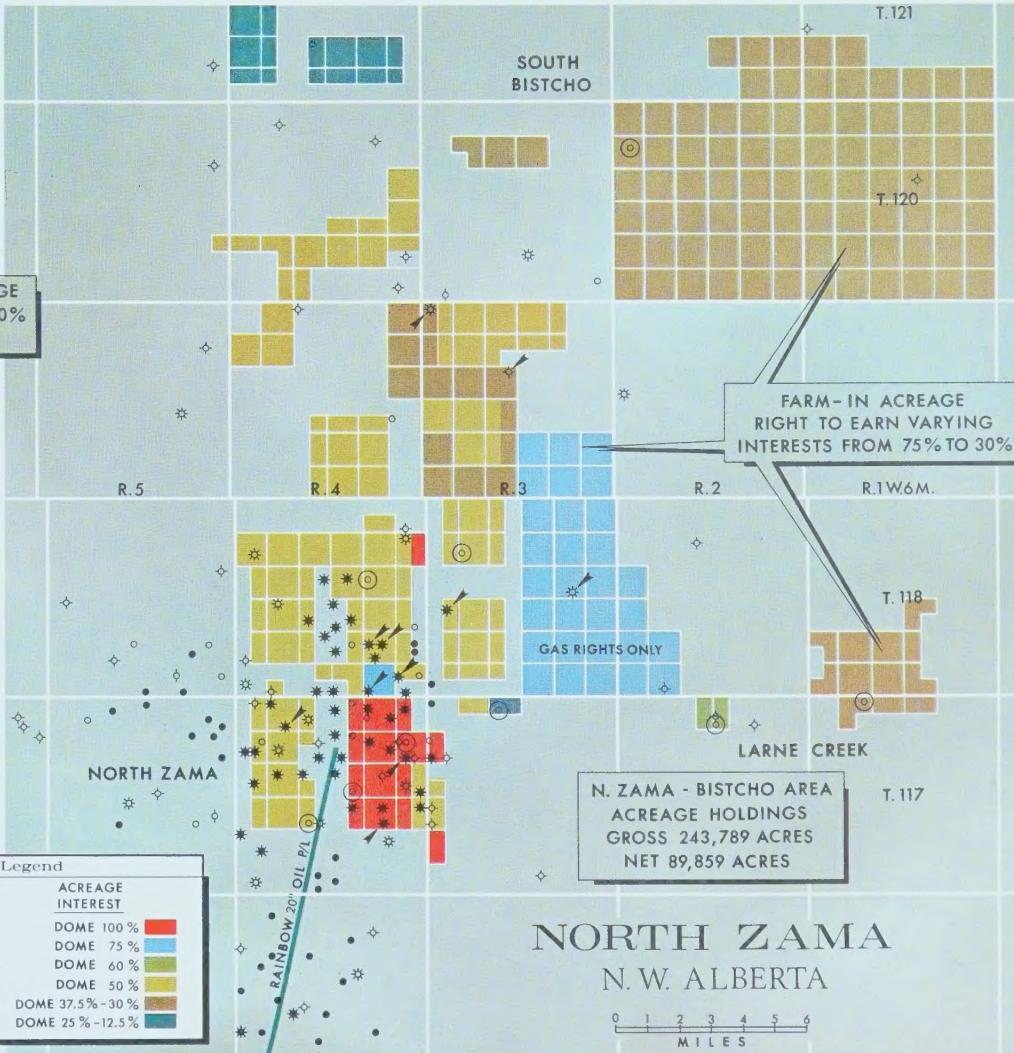
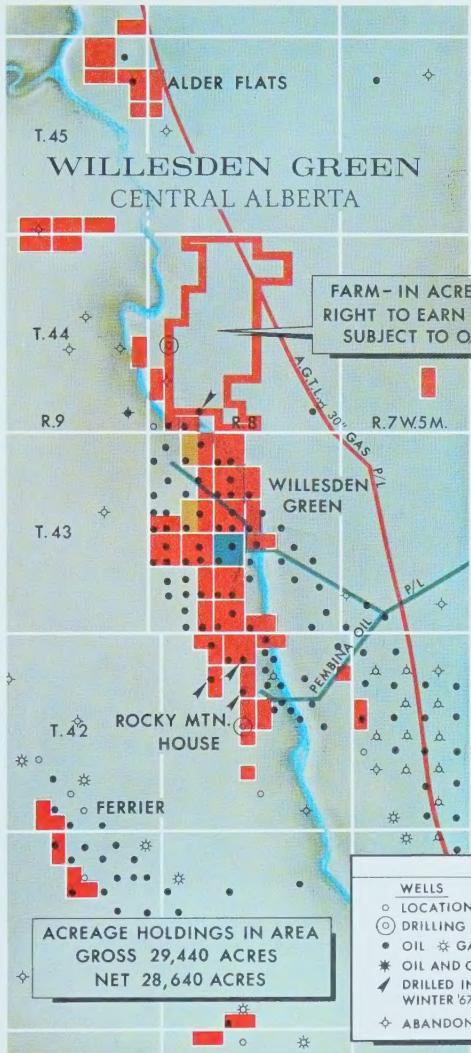
At Hughenden (15 miles north of Provost) over \$600,000 has been spent by another company in evaluating the economics of producing Dome's large heavy gravity oil reserves with the assistance of a steam flood.

Company drilling operations in other areas in 1967 resulted in 13 oil wells and 3 gas wells.

The commencement of the major 4-5 year Panarctic exploratory program in the Canadian Arctic Islands will help to evaluate large portions of the Company's acreage in the Northwest Territories. At the present time, Dome holds 5,784,000 net acres in the Arctic Islands, of which the Panarctic group can earn 1,308,000 net acres by drilling 4 wells on Dome's acreage. The Company will also participate in earning varying interests in the 44,000,000 acres to be tested by Panarctic through Dome's 4.06% interest in that company. Dome is committing \$800,000 to this program and is acting as interim operator.

Field operations commenced in March, 1968, when seismic surveys were started on Melville Island. The first test well in a 15-well drilling program is scheduled to begin on Melville in early 1969.



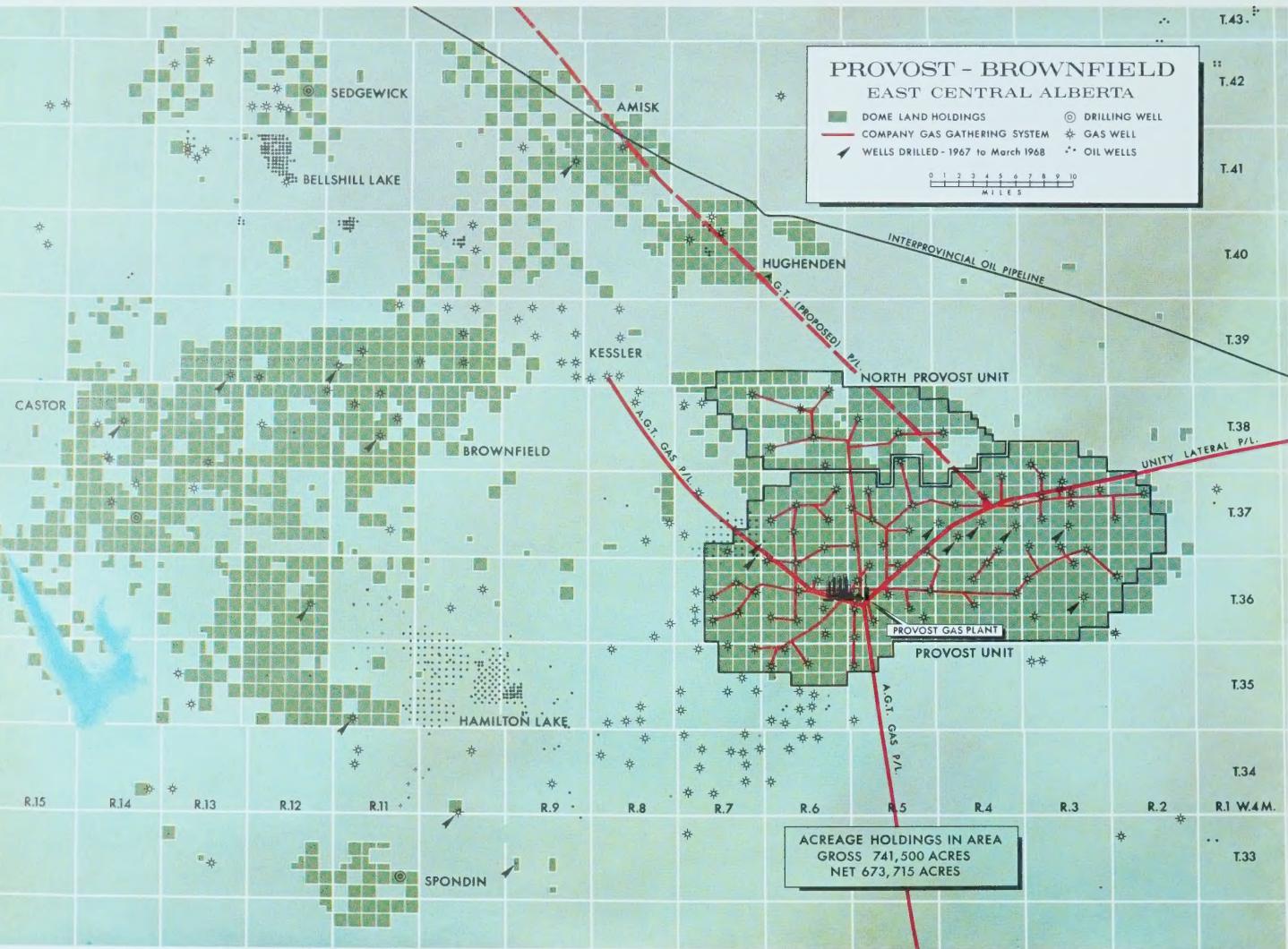


See Operations Map on Inside Back Cover for regional location.

**PROVOST - BROWNFIELD**  
EAST CENTRAL ALBERTA

DOME LAND HOLDINGS  
COMPANY GAS GATHERING SYSTEM  
WELLS DRILLED - 1967 to March 1968

0 1 2 3 4 5 6 7 8 9 10  
MILES



See Operations Map on Inside Back Cover for regional location.



#### AREA OF OPERATIONS

★ HEAD OFFICE ■ OIL PRODUCING AREA ■ GAS PRODUCING AREA ■ EXPLORATORY ACREAGE ■ GAS PROCESSING PLANT ■ RETAIL PROPANE DISTRIBUTION ■ UNDERGROUND L.P.G. STORAGE CAVERNS

#### LAND HOLDINGS

Dome's land holdings more than doubled in 1967 to 11,003,613 net acres as a result of the Company's expanded operations and an aggressive land acquisition program. Most of this increase is represented by large blocks of acreage in prospective areas throughout Western Canada and in the Northwest Territories.

A comparative table showing the 1967 Dome land holdings and the combined Dome-Provo land holdings at the end of 1966 is included on page 20.

## PROCESSING

Dome operates 4 gas processing plants and holds participating interests in an additional 8 plants in Western Canada. Three of the Dome operated plants are wholly-owned and in the fourth Dome holds a 78% interest.

The Provost plant (78%) processes gas produced from the 80-well Provost Unit in east-central Alberta. Dome's share of the unit's 1967 production averaged 50 million cubic feet per day. During late 1967, the Company's North Provost gas wells were connected to the Provost plant by pipeline and are now on production. It is planned to install facilities at the plant in 1969 to take a "deep cut" of the gas being processed. This will increase liquid production by 2,000 barrels of product per day.

The Edmonton plant (100%), located south of the City of Edmonton, extracts propane and butane from pipeline gas produced in the Pembina, Bonnie Glen and Wizard Lake oil fields. Its 1967 production averaged 1,400 barrels of product per day. The plant's fractionation facilities are currently being doubled.

In December, 1967, Dome completed its Vulcan plant (100%) in southern Alberta to process gas from the Vulcan, Little Bow and Long Coulee fields. The plant's initial capacity is 25 million cubic feet of gas per day. The plant was designed so that it could be readily expanded to handle additional gas from recent successful step-out wells.

*Three of the Company's gas processing plants. Top: The process building at the Steelman plant (100%). Centre: The main process area at the Edmonton plant (100%). Bottom: The sulphur recovery facilities at the Lone Pine plant (22%).*



The Lone Pine (Alberta) gas plant in which Dome holds a 22% interest came on stream in late 1967. This plant will contribute to Dome's 1968 gas, natural gas liquids and sulphur production. An expansion of these facilities is proposed for 1968.

The Steelman plant (100%) processes flare gas gathered from 14 oil fields in southeast Saskatchewan and produces residue gas, natural gas liquids and sulphur. During 1967, the Steelman gathering system was extended to the Alida field. A substantial portion of Dome's Saskatchewan oil production comes from its wells in the Steelman area. These properties are shown on the accompanying map.

The Company has entered into a contract with Saskatchewan Power Corporation to construct a plant to process gas owned by Saskatchewan Power at Coleville in west-central Saskatchewan. This plant will be built in 1968 and will produce approximately 500 barrels of product per day.

## L. P. GAS PLANT

Dome is participating with Pan American Petroleum Corporation and Alberta and Southern Gas Co. Ltd. in a major gas absorption and fractionation project in southern Alberta. The absorption plant will be designed to initially remove 10,000 barrels per day of propane, butane and condensate from the 700 million cubic foot per day gas stream owned by Alberta and Southern. Dome will be the operator of the facilities owned jointly with Pan American. This project is subject to approval by Governmental authorities.

## MARKETING

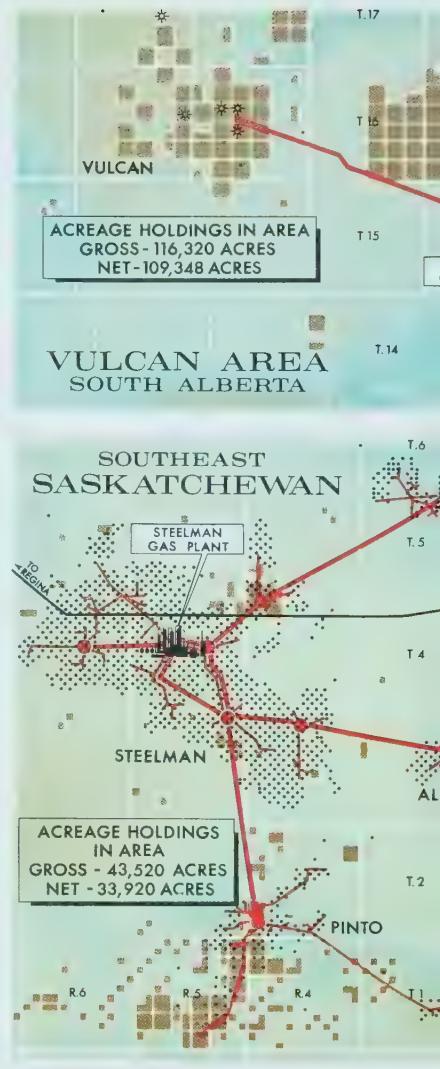
Dome's participation in liquefied petroleum gas marketing includes direct sales in northern Manitoba, wholesale distribution to large marketing companies in the United States and bulk sales to distributors in Saskatchewan.

The Company's Steelman and Edmonton plants supply a major portion of the product sold which is supplemented by product purchased from other producers. Part of this is transported by the Company's pipeline from Grenfell, Saskatchewan to Dome's underground storage facilities at Melville, Saskatchewan.

The Melville facilities consist of 5 storage wells with a capacity of 60 million Canadian gallons of product. Excess summer production is stored here for sale during the high-demand winter season. Located at a main railway junction, these facilities are able to supply efficiently the markets in northern Manitoba and the United States.



*Preparing to lift the sulfinol contactor at the Company's wholly-owned Vulcan gas plant. Construction of this plant commenced in August and was completed in December, 1967.*





See Operations Map on Inside Back Cover for regional location.

## FINANCIAL

In 1967 gross income (after all royalties) increased 22% to \$21,769,254 from \$17,848,409 in 1966.

Cash flow (gross income less cost of product, operating, administrative and interest expenses) increased 25% to \$12,160,626 (\$3.66 per share) in 1967 from \$9,718,340 (\$2.94 per share) in 1966.

Net income (after all charges) increased 30% to \$8,360,922 (\$2.51 per share) from \$6,423,825 (\$1.94 per share) in 1966.

Earned surplus at December 31, 1967, increased to \$36,321,609 from \$27,960,687 last year.

The Company's expanded exploration program and generally higher level of operations resulted in increased exploration and development costs. Exploration costs in 1967 totalled \$4,575,847 (\$2,772,927 in 1966) and development costs totalled \$7,526,185 (\$5,869,482 in 1966).

Long term debt was \$29,270,119 at the end of 1967 compared with \$23,978,287 at the previous year-end.

At year-end, the Company's investments in other oil, gas and pipeline companies cost \$419,655 and had a market or appraised value of \$3,900,000. These investments include 47,041 shares of Producers Pipelines Ltd. which cost \$304,722 and had an appraised value of \$2,300,000.

## DEFERRED INCOME TAX

The Company follows the practice of showing in its Statement of Income only income tax payable in the current year and does not show deferred income tax. This practice is followed because it is impossible to make an accurate estimate of the amount of future taxes and when, if ever, they will be payable. The Income Tax Act allows exploration companies to expense all drilling, exploratory and land acquisition costs. In making such a provision, the Government recognized that direct payments by oil and gas exploration companies to all levels of Government by way of bonuses, lease rentals, and royalties exceed the amounts which would normally be realized by way of income tax.

The following table of comparative tax credits available to Dome at year-end provides the shareholders with a means of assessing the impact of income taxes on future earnings.

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Total Tax Credits (millions of dollars)	\$25.8	\$27.5	\$30.6	\$34.3	\$42.0
% of 1963 . . . . .	—	107%	119%	133%	163%

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31, 1967 AND 1966

	<b>1967</b>	<b>1966</b>
	(Note 1)	
<b>INCOME:</b>		
Oil and gas sales after royalties . . . . .	\$14,134,792	\$12,206,571
Propane and other product sales . . . . .	7,128,936	5,129,627
Other income . . . . .	505,526	512,211
	<hr/>	<hr/>
	21,769,254	17,848,409
<b>DEDUCT:</b>		
Operating expenses . . . . .	4,668,665	4,165,176
Cost of propane and other products sold . . . . .	2,275,459	1,665,289
General and administrative expenses . . . . .	481,277	519,810
Interest . . . . .	2,183,227	1,779,794
	<hr/>	<hr/>
Cash income from operations . . . . .	9,608,628	8,130,069
	<hr/>	<hr/>
<b>DEDUCT:</b>		
Depletion . . . . .	1,931,125	1,699,615
Depreciation . . . . .	1,795,484	1,535,393
Amortization . . . . .	73,095	59,507
	<hr/>	<hr/>
3,799,704		3,294,515
Net income for the year (Notes 3 and 8) . . . . .	<hr/>	<hr/>
	\$ 8,360,922	\$ 6,423,825
	<hr/>	<hr/>

See accompanying notes.

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEARS ENDED DECEMBER 31, 1967 AND 1966

	<b>1967</b>	<b>1966</b> (Note 1)
<b>SOURCE OF FUNDS:</b>		
Cash income from operations . . .	\$12,160,626	\$ 9,718,340
Proceeds from term bank loans . . .	10,200,000	4,985,960
Proceeds from sale of properties . . .	1,219,837	—
Proceeds from issues of capital stock . . .	309,890	1,320,400
	23,890,353	16,024,700

### APPLICATION OF FUNDS:

Expenditures for property, plant and equipment . . . . .	21,470,721	13,575,703
Reduction of long term debt . . . .	4,908,168	2,706,496
Increase in other assets . . . . .	219,720	93,963
Payments for fractional shares of Provo Gas Producers Limited . . . .	105,011	179,890
	26,703,620	16,556,052
Decrease in working capital . . . . .	\$ 2,813,267	\$ 531,352

See accompanying notes.

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

YEARS ENDED DECEMBER 31, 1967 AND 1966

	<b>1967</b>	<b>1966</b> (Note 1)
Balance at beginning of year . . . . .	\$27,960,687	\$18,914,321
Earned surplus of Provo Gas Producers Limited at January 1, 1966 (Note 1) . . . . .	—	2,622,541
	27,960,687	21,536,862
Net income for the year . . . . .	8,360,922	6,423,825
Balance at end of year . . . . .	\$36,321,609	\$27,960,687

## CONSOLIDATED STATEMENT OF PAID-IN SURPLUS

YEARS ENDED DECEMBER 31, 1967 AND 1966

	<b>1967</b>	<b>1966</b> (Note 1)
Balance at beginning of year . . . . .	\$12,869,262	\$ 4,172,329
Premium on shares issued for acquisition of Provo Gas Producers Limited net of pooling of interests adjustments (Note 1) . . . . .	—	7,536,383
	12,869,262	11,708,712
Premium on shares issued for cash . . . . .	162,436	1,160,550
Balance at end of year . . . . .	\$13,031,698	\$12,869,262

See accompanying notes.

**CONSOLIDATED  
BALANCE  
SHEET**

**DECEMBER 31, 1967  
AND 1966**

**ASSETS**

	<b>1967</b>	<b>1966</b>
	(Note 1)	
<b>CURRENT:</b>		
Cash . . . . .	\$ 1,495,838	\$ 1,212,664
Short term deposit and marketable securities at cost which approximates market . . . . .	1,409,592	3,476,889
Accounts receivable . . . . .	4,630,514	3,546,771
Inventories—		
Products and merchandise at the lower of cost or net realizable value . . . . .	966,140	573,084
Materials and supplies at cost . . . . .	573,814	351,425
Prepaid expenses . . . . .	398,611	147,798
	9,474,509	9,308,631
<b>PROPERTY, PLANT AND EQUIPMENT (Note 4) . . . . .</b>	<b>90,237,691</b>	<b>73,713,416</b>
<b>OTHER:</b>		
Sundry investments at cost . . . . .	419,655	420,193
Financing, market development and preproduction expenses less amounts written off . . . . .	595,891	636,390
Deposits, mortgages and advances . . . . .	826,636	471,474
Due from officer re purchase of shares . . . . .	—	167,500
	1,842,182	1,695,557

See accompanying notes.

\$101,554,382      \$84,717,604

## LIABILITIES

### CURRENT:

	1967	1966
	(Note 1)	
Bank loans (Note 5) . . . . .	\$ 3,000,000	\$ 3,500,000
Accounts payable . . . . .	3,618,508	2,689,947
7% Debenture (Note 5) . . . . .	3,000,000	3,000,000
Accrued interest on long term debt . . . . .	352,169	340,883
Current instalments of long term debt . . . . .	4,648,586	2,109,288
	<hr/> 14,619,263	<hr/> 11,640,118
LONG TERM DEBT (Note 6) . . . . .	<hr/> 29,270,119	<hr/> 23,978,287

### SHAREHOLDERS' EQUITY (Note 7):

#### Capital—

Authorized — 5,000,000 shares of a par value of \$2.50		
Issued — 3,324,677 shares (1966 — Note 1) . . . . .	8,311,693	8,269,250
Paid-in surplus . . . . .	13,041,698	12,869,262
Earned surplus . . . . .	36,321,609	27,960,687
	<hr/> 57,665,000	<hr/> 49,099,199

On behalf of the Board:

Director.

Director.

\$101,554,382	\$84,717,604
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## AUDITORS' REPORT

To the Shareholders of Dome Petroleum Limited.

We have examined the consolidated balance sheet of Dome Petroleum Limited and its subsidiaries at December 31, 1967 and the consolidated statements of income, paid-in surplus, earned surplus and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances, except that, for reasons of corporate policy explained in Note 3 to the financial statements, data regarding the Company's North Zama oil and gas reserves were not made available to us.

In our opinion, subject to such adjustment of the provisions for depletion and depreciation and of net income as would result from the inclusion of the North Zama reserves mentioned above, these financial statements present fairly the financial position of Dome Petroleum Limited and its subsidiaries as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.  
Chartered Accountants

Calgary, Alberta.  
March 14, 1968.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1967

## 1. ACQUISITION OF PROVO GAS PRODUCERS LIMITED

As a result of an offer made to the Shareholders of Provo Gas Producers Limited on March 30, 1967, the Company issued 686,000 shares of its capital stock in exchange for the 61.7% of the outstanding shares of that company not previously owned. For accounting purposes the transaction has been treated as a pooling of interests and accordingly the consolidated financial statements include the assets, liabilities and operations of Provo Gas Producers Limited as though the companies had been combined from January 1, 1967 and the 1966 financial statements have been restated on the same basis for comparative purposes.

## 2. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

The accounts of the U.S. subsidiaries have been converted to Canadian dollars on the following basis: current assets and current liabilities at the rate of exchange in effect at the year-end, fixed assets and long-term debt at the rates in effect on the dates of acquisition and income and expenses at the average rates for the year. The net exchange differential, which is not material in amount, has been included in income.

## 3. ACCOUNTING PRACTICE

The companies follow the full-cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit-of-production method based on estimated proven reserves of oil and gas. Depreciation of plant and

equipment is provided on the unit-of-production basis.

Significant oil and gas discoveries were made in the North Zama region of Alberta in 1966 and 1967. Because current reserve data is incomplete and in order to protect its position in competitive bidding on adjoining Crown acreage as explained in the Directors' Report to the Shareholders, the Company has elected not to disclose reserves of oil and gas for this area or take them into account in computing the 1966 and 1967 provisions for depletion and depreciation. Accordingly, depletion and depreciation for these two years have been computed using the same rates per barrel as were used in 1965. The inclusion of the North Zama reserves would have resulted in a reduction in the 1966 and 1967 provisions for depletion and depreciation.

## 4. PROPERTY, PLANT AND EQUIPMENT

Details of the companies' property, plant and equipment are as follows:

	<i>Gross investment at cost</i>	<i>Accumulated depreciation and depletion</i>	<i>Net investment 1967</i>	<i>Net investment 1966</i>
Oil and gas properties .....	\$ 65,405,363	\$10,999,135	\$54,406,228	\$43,520,233
Plants and related facilities .....	31,480,707	8,751,037	22,729,670	19,108,337
Production and other equipment ..	14,860,793	2,801,586	12,059,207	9,998,052
Office building .....	1,428,324	385,738	1,042,586	1,086,794
	<u>\$113,175,187</u>	<u>\$22,937,496</u>	<u>\$90,237,691</u>	<u>\$73,713,416</u>

## 5. BANK LOANS AND DEBENTURE

Current bank loans of \$3,000,000 are secured by assignment of accounts receivable and an undertaking to provide oil and gas security if requested. The \$3,000,000 debenture is issued to Dome Mines Limited and is secured by a pledge of certain producing properties in the Province of British Columbia.

## 6. LONG TERM DEBT

Details of the companies' long term debt are as follows:

	<u>Maturity</u>	<u>1967</u>	<u>1966</u>
5 3/4 % First Mortgage Serial Bonds—	1984		
Series A (U.S. \$8,702,000)		\$ 9,401,428	\$ 9,721,313
Series B (U.S. \$2,997,000)		3,222,545	3,333,109
6% First Mortgage Bonds subject to amortization fund—	1970		
Series A (U.S. \$4,000,000)		4,324,000	4,324,000
Series B		862,000	990,000
6 1/2 % First Mortgage Bonds ..	1985	942,000	970,000
6% Series A Debentures ..	1970	3,254,938	2,833,710
6% Debentures Series A subject to sinking fund (no payment required in 1968) ..	1973	2,000,000	2,000,000
6% - 6 3/4 % bank loans secured by producing properties ..	1971	12,996,690	4,389,013
Other long term obligations ..		583,905	734,296
		<hr/> 37,587,506	<hr/> 29,295,441

### Deduct:

Instalments due within one year included in current liabilities ..		4,648,586	2,109,288
Cash and investments held by amortization fund trustee ..		3,668,801	3,207,866
		<hr/> 8,317,387	<hr/> 5,317,154
		<hr/> \$29,270,119	<hr/> \$23,978,287

Approximate instalments of long term debt due in each of the five years subsequent to December 31, 1967 are as follows:  
 1968 — \$4,648,000; 1969 — \$5,117,000; 1970 — \$8,167,000;  
 1971 — \$3,352,000; 1972 — \$1,143,000.

## 7. CAPITAL

During 1967, 686,000 shares were issued in exchange for shares of Provo Gas Producers Limited (See Note 1) and 16,977 shares were issued to officers and employees on exercise of options for \$243,810 cash. The par value of the shares issued, \$1,757,443, was credited to share capital account and the balance, including the adjustments arising from the pooling of interests with Provo, is reflected in paid-in surplus.

127,069 shares of the Company's capital stock were reserved at December 31, 1967 as follows:

75,376 shares for options granted to officers and employees to purchase shares at prices ranging from \$12.80 to \$56.75 per share exercisable on various dates to June 15, 1976.

31,711 shares for shares of Provo not yet presented for exchange.

19,982 shares for the exercise of Stock Purchase Warrants of a subsidiary at \$30.00 per share until September 30, 1970. Of these, 15,000 are exercisable in United States dollars.

## 8. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from income, or if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended December 31, 1967 and at that date an excess of such expenditures amounting to approximately \$17,000,000 and capital cost allowances of approximately \$25,000,000 were available to be applied against future taxable income.

## 9. PROFIT AND LOSS INFORMATION

The total remuneration paid to the directors and senior officers (as defined by The Ontario Securities Act) amounted to \$125,962 which includes \$29,600 paid to directors. No directors' fees as such are paid.

Interest on long term debt for the year was \$1,860,676.

# TEN YEAR FINANCIAL REVIEW

Dome-Provo figures combined for all years.

	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
Gross Income (after royalties)	\$21,769,254	\$17,848,409	\$15,243,295	\$13,708,366	\$12,199,847	\$10,181,455	\$8,013,022	\$6,631,797	\$5,575,254	\$3,782,790
Operating Expenses .....	4,668,665	4,165,176	3,579,753	3,173,932	2,954,608	2,388,918	1,859,784	1,708,966	1,488,693	861,355
Cost of Product .....	2,275,459	1,665,289	898,835	336,378	306,414	180,415	243,979	255,795	166,799	33,913
General and Admin. Expenses	481,277	519,810	358,547	339,614	301,446	236,553	281,031	268,364	340,310	228,677
Interest .....	2,183,227	1,779,794	1,423,037	1,186,885	1,035,200	1,083,759	1,274,033	1,210,368	908,322	360,695
Cash Flow* .....	12,160,626	9,718,340	8,983,123	8,671,557	7,602,179	6,291,810	4,354,195	3,188,304	2,671,130	2,298,150
Cash Flow per Share .....	.366	.294	.272	.263	.232	.192	.133	.98	.83	.72
Depreciation, Depletion and Amortization .....	3,799,704	3,294,515	3,209,599	2,902,070	2,701,232	2,570,274	1,800,814	1,458,982	1,545,750	1,033,925
Net Income .....	8,360,922	6,423,825	5,773,524	4,085,073	3,385,791	2,203,505	1,741,262	462,837	109,736	17,831
Net Income per Share .....	.251	.194	.175	.124	.103	.67	.53	.14	.03	.01
Shares Outstanding .....	3,324,677	3,307,700	3,299,700	3,283,900	3,279,600	3,275,900	3,272,800	3,257,400	3,207,400	3,205,000
Long Term Debt .....	29,270,119	23,978,287	21,264,027	18,095,612	14,476,155	13,132,868	18,933,201	14,853,669	14,892,273	11,066,250
Land Rentals .....	815,409	664,829	551,362	530,048	472,543	445,767	359,203	366,604	338,902	276,655
Exploration Costs .....	4,575,847	2,772,927	1,574,449	1,154,366	1,042,613	1,072,264	452,916	899,881	676,742	969,739
Development Costs .....	7,526,185	5,869,482	5,598,302	3,655,139	4,129,790	3,462,199	2,104,597	2,589,647	1,533,716	1,593,912
Plants and Related Facilities	4,927,179	1,796,437	4,138,317	1,775,109	1,824,211	3,277,603	513,102	84,135	2,182,423	8,933,019
Land Acquisition Costs .....	3,626,101	2,472,028	919,077	5,560,372	1,043,851	1,808,648	770,395	265,554	1,349,162	632,245

Cash Flow (after cost of product, operating, administrative and interest expenses).

# TEN YEAR OPERATING REVIEW

Dome-Provo figures combined for all years.

	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
Oil and Natural Gas Liquids Production (net bbls) .....	5,757,849	4,972,284	4,445,043	4,203,161	3,857,801	2,967,233	2,208,048	2,039,078	1,781,938	1,204,280
Average Daily Oil and N.G.L. Production (net bbls) ...	15,775	13,623	12,178	11,484	10,569	8,129	6,049	5,571	4,882	3,299
Gas Production (billion cubic feet) .....	43.7	37.2	36.8	35.7	34.9	35.1	31.3	21.7	18.7	9.2
Average Daily Gas Production (million cubic feet) ..	119.7	101.9	100.8	97.5	95.6	96.2	85.8	59.3	51.2	25.2
Average Daily Oil, N.G.L. and Oil Equivalent of Gas Production (net bbls) .....	21,238	18,280	16,532	15,896	14,912	12,543	9,958	8,275	7,211	4,450
Sulphur Production (long tons) .....	6,353	3,700	883	661	1,016	2,339	1,941	1,397	671	100
Est. Proved Oil and Condensate Reserves (net bbls) ..	61,890,000*	59,267,000*	53,830,000	50,769,000	48,300,000	44,600,000**	52,246,000	45,093,000	42,890,000	30,426,000
Est. Proved Gas Reserves (billion cubic feet) .....	1,011*	919*	829	793	754	770	763	731	769	614
Wells Drilled -										
Gross .....	102	104	100	70	66	54	31	74	42	65
Working Interest - Gross ..	88	97	88	61	64	54	26	61	37	65
Working Interest - Net .....	68.5	67.0	65.7	43.1	41.0	32.7	15.9	33.7	21.6	45.1
Royalty Interest .....	14	7	12	9	2	—	5	13	5	—
Exploratory - Gross .....	54	49	37	22	8	16	7	19	16	19
Step Out and Development - Gross .....	48	55	63	48	58	38	24	55	26	46
Net Oil Wells .....	359	335	309	269	237	200	196	175	158	127
Net Gas Wells .....	131	117	99	83	79	75	66	57	51	42
Acreage - Gross .....	13,268,294	7,504,166	6,064,597	6,745,955	6,763,610	6,570,663	4,427,385	4,109,215	5,431,596	3,591,820
Acreage - Net .....	11,003,613	5,212,851	3,829,128	4,194,810	4,204,095	3,988,641	3,457,813	3,283,815	4,495,235	2,690,082

\*Excludes all Zama reserves. \*\*Reduction caused by sale of Redwater oil reserves for cash.

## LAND HOLDINGS

	December 31, 1967		December 31, 1966	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Alberta . . . . .	2,582,276	1,865,425	1,711,424	942,070
British Columbia . . .	535,437	237,591	522,726	231,327
Manitoba . . . . .	85,690	50,289	73,939	48,941
Northwest Territories . . .	8,787,899	7,664,871	4,806,381	3,673,353
Ontario . . . . .	4,987	4,987	4,987	4,987
Saskatchewan . . . . .	1,135,671	1,076,689	290,591	231,938
United States . . . . .	136,334	103,761	94,118	80,235
TOTAL . . . . .	13,268,294	11,003,613	7,504,166	5,212,851

## DETAIL MAPS

NORTH ZAMA - Page 7

BOUNDARY LAKE - Page 5

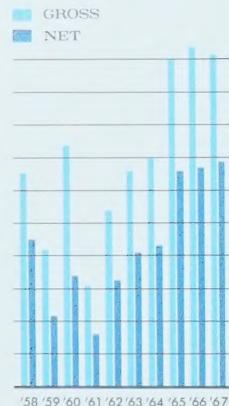
WILLESDEN GREEN - Page 7

PROVOST · BROWNFIELD - Page 8

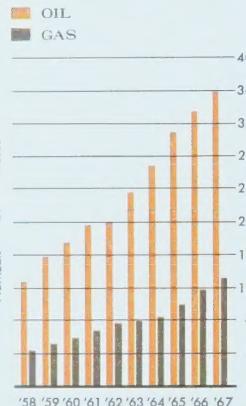
VULCAN - Page 10

S. E. SASKATCHEWAN - Page 10

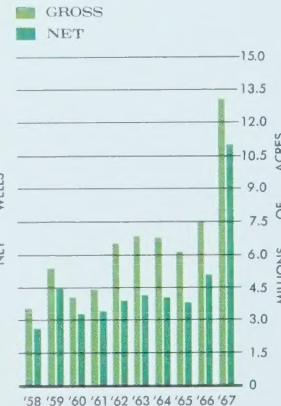
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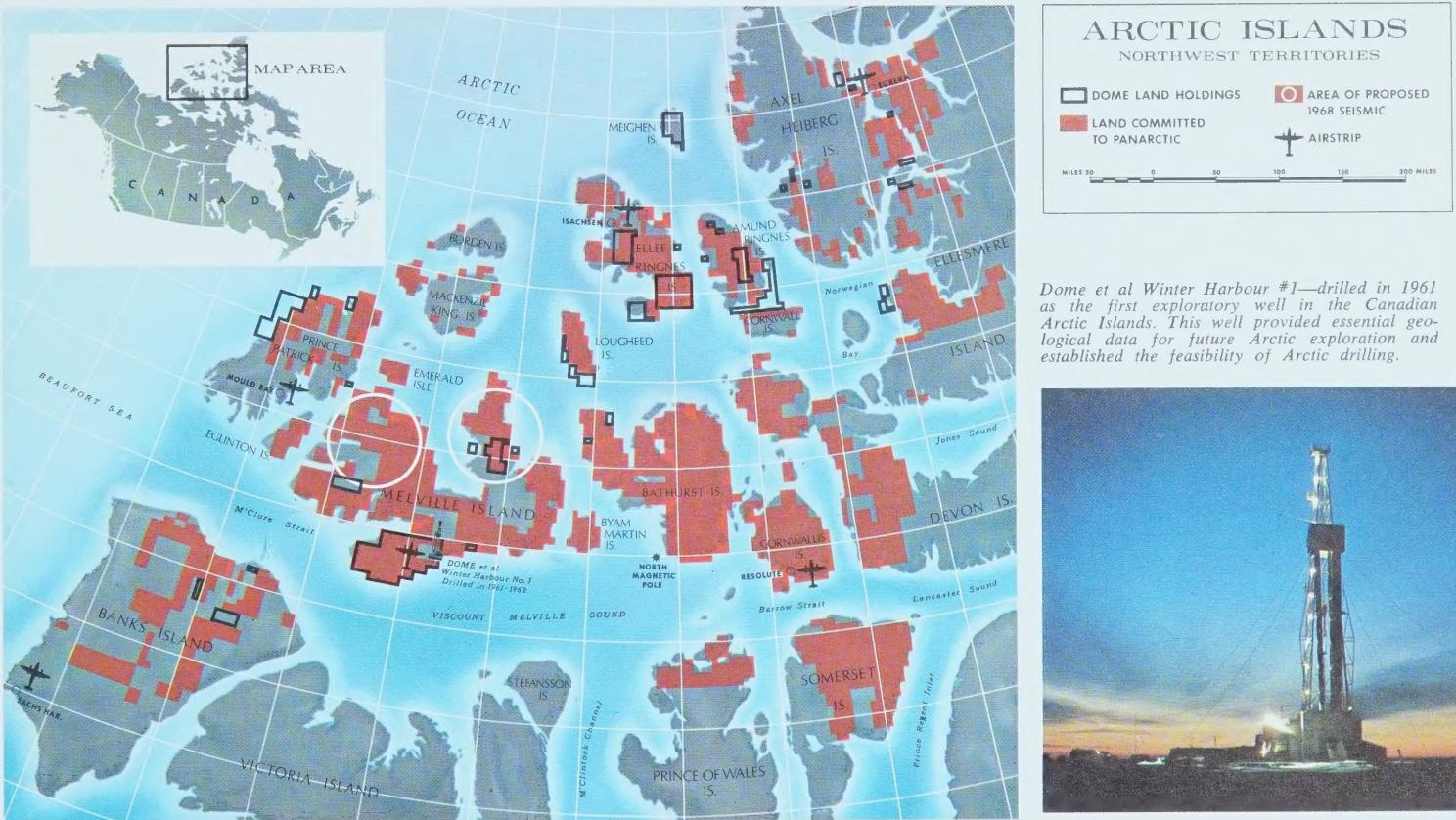


## NET PRODUCING WELLS



## LAND HOLDINGS





Dome et al Winter Harbour #1—drilled in 1961 as the first exploratory well in the Canadian Arctic Islands. This well provided essential geological data for future Arctic exploration and established the feasibility of Arctic drilling.



FOLD BACK FOR OPERATIONS MAP OF WESTERN CANADA AND ARCTIC ISLANDS.

# DOME HOLDINGS IN WESTERN CANADA & ARCTIC ISLANDS

DOME P.&N.G. PERMIT      DOME INTEREST GAS PLANT  
 AREAS OF MAJOR LEASE INTEREST      DOME PRODUCTS PIPELINE  
 DOME RETAIL PROPANE DISTRIBUTION      OIL FIELD      GAS FIELD  
 OIL PIPELINE      PROPOSED OIL PIPELINE      GAS PIPELINE  
 PROPOSED GAS PIPELINE      PRODUCTS PIPELINE



